

Message Text

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16

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 AID-05 CEA-01 CIAE-00

COME-00 EA-07 FRB-03 INR-07 IO-11 NEA-10 NSAE-00

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5653

INFO USMISSION EC BRUSSELS

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USNMR SHAPE

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E.O. 11652: N/A

TAGS: EFIN, PO

SUBJ: COUNCIL OF MINISTERS ATTEMPTS TO HOLD PRICE LINE

1. DURING JANUARY 13 MEETING, COUNCIL OF MINISTERS TOOK SEVERAL DECISIONS TO HOLD OR REDUCE PRICES ON BASIC FOODSTUFFS. IT LOWERED PRICE ON WHITE REFINED SUGAR, WHICH IS IN AMPLE SUPPLY, FROM 22.5 TO 19.5 ESCUDOS/KILO (I.E., FROM \$0.375 TO \$0.325/LB.) PRICE OF PACKAGES CONTAINING INDIVIDUAL-SIZED SERVINGS REMAINS FREE TO FLUCTUATE. PRICE OF POTATOES, WHICH ARE IN SHORT SUPPLY, WAS PLACED UNDER OFFICIAL PRICE CONTROL SYSTEM AND SET AT 7.5 ESCUDOS/KILO (I.E., \$0.125/LB). IT HAD REACHED 10.7 ESCUDOS/KILO (I.E., \$0.178/LB) DURING PEAK OF HOLIDAY SEASON DEMAND. COUNCIL OF MINISTERS DID NOT ALTER PRICES IT HAD SET DURING PREVIOUS WEEKS FOR RICE, MARGARINE, OLIVE OIL AND OTHER OILS, AND BEEF.

2. COMMENT: EXTENSIVE TREATMENT GIVEN CONSUMER PRICES BY COUNCIL OF MINISTERS INDICATES GOP SENSITIVITY TO CRITICISM
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IT RECEIVED AFTER RECENT INFLATIONARY SPURT. ALTHOUGH DE-

CISIONS ANNOUNCED JANUARY 13 WILL HAVE RATHER MEAGER IMPACT,
THEY IMPLY GOP HAS TAKEN TWO BASIC DECISIONS: FIRST, TO ASSERT
CONSIDERABLE OFFICIAL PRESSURE TO RESTRAIN INFLATION RATES,
AT LEAST UNTIL LEGISLATIVE ELECTIONS; SECOND, TO IMPORT
SUFFICIENT PRODUCTS TO AVOID SHORTAGES THAT WOULD NULLIFY GOP
ANTI-INFLATION POLICY. LARGE FOOD IMPORTS, NOTABLY POTATOES,
ARE KNOWN TO BE UNDER WAY ALREADY.
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